

Comptroller's Directive No. 2-05
Attachment 25
Management Discussion and Analysis

Purpose

The Commonwealth must present Management's Discussion and Analysis (MD&A) in the CAFR as required supplementary information. Information from financially significant agencies must be compiled and incorporated into the MD&A Section.

The responses to the questions will provide an objective and easily readable analysis of the agency's financial activities based on any currently known facts, decisions, or conditions. Responses to these questions will present short and long-term analyses of the agency's activities, compare current year results with those of the prior year, and discuss the positive and negative aspects of that comparison (GASBS No. 34, paragraphs 8 & 9).

Note: The responses **must** provide reasons for the changes that have occurred. **The total dollar value of the change should be explained so that the reasons for the change reconcile to the total dollar value of the change.**

This attachment is similar to prior year's Attachment 25.

Applicable agencies

This attachment applies to the following:

- State Lottery Department
 - Department of Education – **Federal Funds only**
 - Department of Health – **Federal Funds only**
 - Department of Medical Assistance Services – **Federal Funds only**
 - Department of Mental Health, Mental Retardation, and Substance Abuse Services – **Federal Funds only**
 - Department of Planning and Budget (aggregate General Fund information for the Commonwealth) – refer to the Designation of Year-end Responsibility between DPB and DOA Memorandum
 - Department of Social Services – **Federal Fund only**
 - Department of Taxation – **Revenue analysis for General Fund taxes**
 - Department of Transportation – **Special Revenue and Pocahontas Parkway Enterprise Funds**
 - Department of Treasury – **Literary Fund**
 - Virginia Employment Commission – **Unemployment Compensation and Federal Funds**
 - Virginia College Savings Plan – **Virginia Prepaid Education Program**
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Due date **September 22, 2005**

Submission requirements Submit the MD&A narrative electronically to finrept@doa.virginia.gov.

Copy APA via E-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of the narrative.

Revisions If revisions are made after DOA accepts the MD&A narrative, submit a new narrative document that highlights the revisions. The new document should also denote the revision date.

Instructions **Prepare a narrative response that updates the applicable portion(s) of the MD&A, pages 31-41 of the FY 2004 CAFR.** Please ensure that the narrative update addresses all applicable questions.

Note: In order to facilitate the compilation and ensure the information is valuable to the reader, please edit the narrative information to ensure that the response is as concise as possible.

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**Information to
consider when
updating CAFR
wording**

1. An analysis of the agency's overall financial position and results of operations using the agency's financial statements or accounting system. This is necessary to assist DOA in assessing whether financial position has improved or deteriorated as a result of the current year's operations.

Note: *This analysis should address governmental activities and must include reasons for significant changes from the prior year, NOT simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases that significantly affected operating results for the year should be discussed.*
 2. An analysis of individual fund financial information including the **reasons** for significant changes in fund balances (assets less liabilities) and whether limitations significantly affect the future use of fund resources.
 3. A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit rating, and debt limitations that may affect the financing of planned facilities or services.
 4. A description of currently known facts (information that management is aware of as of September 22, 2005), decisions, or conditions that are expected to have a significant effect on financial position (net assets {assets less liabilities}) or results of operations (revenues, expenses, and other changes in net assets).
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